

## SECTION 3: MANUFACTURED HOMES [7 CFR 3550.73]

### 9.16 AUTHORIZED LOAN PURPOSES

#### A. Definition

Manufactured homes are built to different construction standards and codes and have different inspection requirements than those manufactured structures generally referred to as “modular” or “panelized” homes. The major difference between manufactured homes and modular or panelized homes is the construction standard or code to which they are built and the inspection requirements. Modular or panelized homes, as described in Exhibit B of RD Instruction 1924-A, are not affected by the requirements of this section.



#### B. Authorized Loan Purposes

When a real estate mortgage or deed of trust covers the unit *and* the site, Section 502 loans may be used to finance the following:

- Site development work that conforms to the requirements of RD Instruction 1924-A;
- Purchase of an eligible new unit, transportation and set-up costs, and purchase of an eligible site if not already owned by the applicant;
- Subsequent loans for equity or repair in conjunction with an assumption or Real Estate Owned (REO) sale; and
- Subsequent loans for repair of units that are financed with Section 502 loans.



#### C. Loan Restrictions

The Agency will not use Section 502 loan funds to finance:

- The purchase of an existing unit and site, unless the property is already financed with a Section 502 loan or is Agency REO property;
- The purchase of a site without also financing the unit;
- A unit that does not meet Federal Manufactured Home Construction and Safety Standards (FMHCSS);



- A unit that does not meet the Agency's Thermal Performance Standards as set forth in RD Instruction 1924-A, for the winter degree day zone where the unit will be located;
- Alteration or remodeling of the unit when the initial loan is made, unless repairs are needed in conjunction with an assumption or REO sale;
- Repairs not associated with a transfer, REO sale, or unit that is already financed with a Section 502 loan;
- Existing debt owed by the applicant; or
- Furniture, including movable articles of personal property such as drapes, beds, bedding, chairs, sofas, divans, lamps, tables, televisions, radios, stereo sets, and other similar items of personal property (furniture does not include wall-to-wall carpeting, refrigerators, ovens, ranges, washing machines, clothes dryers, heating or cooling equipment, or other similar equipment).



## 9.17 DEALER-CONTRACTOR REQUIREMENTS

No loans will be made on a manufactured home sold or serviced by any entity that is not an approved dealer-contractor. Once the applicant has submitted the name of the selected dealer-contractor, the Loan Originator should check the State Office's list of approved dealer-contractors. If the dealer-contractor is approved, the Loan Originator should send the applicant the Agency's list of approved models, as well as a list of what information must be submitted to the Agency for review and approval.

If the dealer-contractor is not approved, the Loan Originator should offer the applicant the opportunity to select another dealer-contractor who is on the approved list, or to request that the Loan Originator inform the dealer-contractor about the Agency's procedures for approval.

An entity may apply to become an approved dealer-contractor by submitting *Form RD 1944-5, Manufactured Housing Dealer-Contractor Application*, and a current financial statement prepared by a public accountant and certified by the dealer-contractor. To qualify to participate, a dealer-contractor must be: (1) financially responsible; (2) qualified and equipped to set up the unit on a site-built permanent foundation and develop the site; and (3) willing to provide a warranty acceptable to the Agency.

## Paragraph 9.17 Dealer-Contractor Requirements

The evaluation of applications for dealer-contractor status involves a joint effort by Loan Originators, Loan Approval Officials, and State Directors.

When evaluating these applications, the Loan Originator should perform the following tasks.

- Maintain an operational file for each dealer-contractor who submits *Form RD 1944-5* and a certified financial statement.
- Obtain a commercial credit report on the firm and consumer credit reports on each of the principals.
- Make direct checks on trade and bank references and check with the local Better Business Bureau.
- Inspect the dealer's place of business to determine its permanency and the adequacy of available equipment.
- Obtain copies of brochures, descriptive literature, guarantees, sales contracts, and price lists.
- Determine that the dealer-contractor has the necessary equipment and experience to perform or subcontract all site development work. If the firm uses subcontractors, obtain the names of the subcontractors and their qualifications. A field inspection of recently-developed sites and set-ups is desirable in determining whether the dealer-contractor has the necessary experience.
- Carefully analyze the collected information to determine if the dealer-contractor is able to provide the full service of sales, service, erection, and warranty of manufactured units and developing sites for them. Based on this analysis, the Loan Originator should develop a recommendation with supporting documentation as to whether or not the dealer-contractor is acceptable.
- If necessary, the Loan Originator should maintain a complaint file to establish a basis for limiting future business with the dealer-contractor.

The Loan Approval Official should review the Loan Originator's recommendations and forward them, with any additional comments, to the State Director for review.

The State Director will make the decision on the dealer-contractor's acceptability and, if applicable, issue a letter of acceptance. The State Director also will issue a list of acceptable dealer-contractors in the State. If the State Director determines that the dealer-contractor is not acceptable, appeal rights will be granted. Any dealer-contractor determined to be unacceptable may reapply for acceptance at any time the dealer-contractor has reason to believe the conditions leading to the determination have been removed.

## **9.18 PROCESSING PROCEDURES**

### **A. Submission Requirements**

In addition to the documents required for a standard Section 502 loan, the applicant must submit the following before the loan can be approved:

- A plot plan and site development plan as described under RD Instruction 1924-A;
- An itemized cost breakdown of the total package, including the base unit, eligible options, site development, installation, set up, lot costs, and any credit for wheels and axles;
- A statement signed by the dealer-contractor indicating that any cash payment or rebate as a result of the purchase will be deducted from the price of the unit and not paid to the applicant; and
- A statement signed by the dealer-contractor that the proposed cost is the full price of the unit and all development activities, and if furniture is being purchased by the applicant with other funds, that a lien will not be filed against the Agency's security property.



### **B. Appraisal Techniques**

The site and unit must be appraised before loan approval, using normal single family residential appraisal techniques. Since other manufactured units and sites provide the most similar comparables, every effort must be made to obtain such comparables, even if their distance from the subject property is greater than preferred. If units are not available within a reasonable distance, the appraiser may use homes other than manufactured homes, after adjusting for factors such as location, construction material, size, and quality.

## Paragraph 9.18 Processing Procedures

The appraiser will use Marshall and Swift cost data for average-construction manufactured housing to determine the appraised value using the cost approach. The National Office may authorize the use of an alternate cost method. For more information on appraisals, see Section 5 of Chapter 5.

**Loan Rates and Terms**

The interest rates for manufactured homes are the same as for other real estate loans made with Section 502 loan funds, but the maximum loan term is 30 years. Applicants for Section 502 loans on manufactured homes may receive payment subsidy, if they are eligible.

**9.19 CONSTRUCTION AND SITE REQUIREMENTS**

The unit must meet the requirements for new dwellings contained in Section 2 of Chapter 5 and must have a floor area of 400 square feet or more, and a width of 12 feet or more for a single-wide unit, and 20 feet or more for a double-wide unit. In addition, the unit must meet the Agency's Thermal Performance Standards as set forth in RD Instruction 1924-A, for the winter degree day zone where the unit will be located. Finally, site development and set up must conform to Exhibit J of RD Instruction 1924-A, and the environmental requirements of RD Instruction 1940-G must be met. Development under the Mutual Self-Help and borrower construction methods is not permitted for manufactured homes.

## 9.20 LOAN CLOSING

In general, loan closing procedures are the same whether the Section 502 loan is made for the purchase of a manufactured home or another type of single family home. However, the Loan Originator should be aware of the following requirements.

### Contract Requirements

The dealer-contractor must sign *Form RD 1924-6, Construction Contract*, which will cover both the unit and site development work. Multiple contracts are prohibited, but a dealer-contractor may use subcontractors if the dealer-contractor remains solely responsible for all work under the contract. Payment for all work will be made in accordance with *Form RD 1924-6* and RD Instruction 1924-A, except that no payment will be made for materials or property stored on site (for example, payment for a unit will be made only after it is permanently attached to the foundation).



**RURAL DEVELOPMENT MANUFACTURED HOUSING  
DEALER-CONTRACTOR APPLICATION**

TO: (Rural Development)

Date

**As provided in 7 CFR Part 3550, this application is submitted for your approval as a Dealer-Contractor.**

Tax Identification #	DUNS #	Phone Number	Ownership
Trade Name		Date Business Established	<input type="checkbox"/> SOLE PROPRIETORSHIP
Number and Street		Years at Present	<input type="checkbox"/> PARTNERSHIP
City, Zone, State		Address	<input type="checkbox"/> CORPORATION
Previous Address		Years at Previous Address	<input type="checkbox"/> LIMITED LIABILITY CO.
Type of Business (General Contracting, Lumber Yard, Heating, etc.)		Date Financial Statement	Number of Sales Personnel
			Identify Sales Personnel on Separate Attached Sheet

**IF NOT A SOLE PARTNERSHIP, IDENTIFY PRINCIPALS**

Name	Title	Home Address
1.		
2.		
3.		

**EMPLOYMENT HISTORY OF PRINCIPALS FOR PAST TEN YEARS** (If more space is needed, use an attached sheet)

Name of Principal, Position, and Dates Employed	Names and Addresses of Employers	Type of Business
1.		
2.		
3.		

Bank of Deposit

**CREDIT REFERENCES**

Name	Address	Dates	
		From Year	To Year

**TRADE REFERENCES: (NAME PRESENT AND PREVIOUS SUPPLIERS OF MAJOR PRODUCTS)**

Names	Address

If any work is subcontracted, give type of work and trade name of subcontractor.

Sales Area	No. of Branches
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Addresses of Branches
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Describe any Guaranty Given Buyers
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I(we) hereby understand that I(we) am (are) fully responsible for the Rural Housing activity of all my(our) sales personnel, that ethical and proper selling practices will be followed, and that immediate attention will be given to all complaints involving materials, workmanship or sales representations. I(we) hereby certify that the above statements are true. I(we) understand this application shall remain the property of Rural Development.

Trade Name	By: (Name and Title)
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I/We hereby authorize the Rural Housing Service (RHS), or its successor, to order an individual credit report for each principal, or for the sole proprietor, referred to on the previous page, on a recurring basis as may be necessary, until such time as the individual notifies RHS to the contrary.

Signature of Individual Principal or Sole Proprietor	Social Security Number	Signature of Individual Principal or Sole Proprietor	Social Security Number
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Signature of Individual Principal or Sole Proprietor	Social Security Number	Signature of Individual Principal or Sole Proprietor	Social Security Number
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**WARNING:** Section 1001 of Title 18, United States Code provides: "whoever, in any matter within jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years or both."

**FOR USE OF DEALER-CONTRACTOR FOR SUPPLYING ADDITIONAL INFORMATION**


**FOR USE BY RURAL DEVELOPMENT**

<input type="checkbox"/> CREDIT REPORT(S) ATTACHED	<input type="checkbox"/> TRADE REFERENCES CHECKED	<input type="checkbox"/> CREDIT REFERENCE(S) CHECKED
REPORTED DATED: (                      )	<input type="checkbox"/> SALES LITERATURE RECEIVED	<input type="checkbox"/> COPY OF CONTRACT OR SALES AGREEMENT REC'D

Place of Business Inspected by: (Name and Title)	Date Inspected
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Remarks:

**The dealer-contractor whose application appears hereon has been approved after such investigations as we consider necessary to establish that the dealer-contractor is reliable, financially responsible and qualified to perform satisfactorily the work to be financed and to extend proper service to the customer.**

Dealer-Contractor Approved (Date)	By: (Name and Title)
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